COMMENTS OF EQUIPOWER RESOURCES CORP.
ON HOUSE BILL 6459
AN ACT CONCERNING RENEWABLE RESOURCE GENERATION

EquiPower Resources Corp. (EquiPower), a Hartford based company, owns and operates 1,792 MWs of generating capacity in New England with 1,360 MWs of that total in Connecticut. EquiPower is the second largest generator of power in Connecticut. EquiPower opposes HB 6459 pursuant to which the electric distribution companies (EDCs) could construct, purchase, own or operate generation facilities for Class I or Class II renewable energy source of not more than 5 MWs.

EquiPower would like to take a moment to remind the Committee that the ratepayers of this state just recently completed paying off the $3.3 billion dollars of stranded costs that were accumulated when a monopoly on electric generation ownership and operation was in place. It seems to EquiPower that a return to this type of regime is not in the best interest of ratepayers. To the extent utilities must meet renewable standards they should achieve these requirements through competitive Request For Proposals (RFPs). EquiPower has no issue with the EDCs competing for renewable resource investment on a level playing field much as they did in response to the 2007 Connecticut DPUC RFP for peaking generation. As you may recall, the Connecticut EDCs participated in the 2007 RFP with one of the EDCs submitting the highest cost bid and another joining forces with a competitive generator in a successful bid.

The differences in the competitive and regulated business models are well chronicled. While some may argue that certain sectors of business are more efficient under a regulated, monopoly model, that debate was settled in Connecticut when power generation was restructured, which continues to be the law. Part of the debate centered around the proper incentives to encourage the most efficient and cost-effective industry. The regulated, monopoly model provides perverse incentives for regulated entities to incur higher investment costs upon which they and their shareholders earn higher amounts of profits, while ratepayers bear the risk of cost overruns. In the competitive model, merchant generation companies must carefully manage costs because the risk of cost overruns is born by shareholders and investors rather than ratepayers. Frankly, this is why the Connecticut legislature favored the competitive model in legislation enabling the two previous successful generation RFP processes. Why would the legislature abandon the competitive RFP process for renewable generation projects when it has worked so well in the past?

Additionally, since deregulation the competitive generation sector has built the expertise to develop, construct and operate all types of generation, including renewables. There is absolutely no evidence that Connecticut EDCs have this expertise. Further to this point, the evidence is clear that competitive generators have demonstrated significantly better operating results than under the regulated, monopoly regime. EquiPower believes the evidence is clear that merchant generators have greater incentive to keep construction costs lower and plants operating at higher levels of utilization. Over the last decade New England generators have reduced the downtime of generating plants due to forced and planned outages by approximately 50 percent. This increased availability (from 78% pre-deregulation to 88% post deregulation) has reduced the number of plants needed to serve the electric load reliably saving hundreds of millions of dollars annually for New England ratepayers.

EquiPower strongly urges the Committee to reject HB 6459 and endorse competitive RFPs for renewable generation to the extent required to support renewable standards.

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